

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 DOE-15 H-01 INR-10 INT-05
L-03 NSAE-00 NSC-05 OMB-01 PM-05 ICA-11 OES-09
SP-02 SS-15 STR-07 TRSE-00 ACDA-12 /128 W
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FM AMEMBASSY ABU DHABI

TO SECSTATE WASHDC 8210

INFO AMEMBASSY TEHRAN

C O N F I D E N T I A L ABU DHABI 2158

E.O. 11652: GDS

TAGS: ENRG, EINV, TC, IR

REFS: A) STATE 177615, B) ABU DHABI 1701

1. CRESCENT PERTOLEUM MANAGING DIRECTOR HAMID JAAFAR CALLED ON ME AUGUST 8 TO REPORT RESULTS OF AUGUST 5 MEETING IN SHARJAH BETWEEN CRESCENT PARTNERS, NIOC, AND SHARJAH GOVERNMENT. IN ACCORDENCE WITH AGREEMENT TO HOLD SUCH MEETINGS REPORTED REF B, MEETING ORIGINALLY SCHEDULED TO TAKE PLACE IN HOUSTON ON JUNE 29, THEN POSPONED TO JULY 7 BECAUSE NIOC DID NOT SHOW, AND THEN RESCHEDULED FOR LONDON UNTIL RULER OF SHARJAH ASKED THAT PARTIES MEET IN SHARJAH UPON HIS RETURN FROM WEAVE. ALL THESE POSTPONEMENTS, DELIBERATE OR OTHERWISE, DID NOT HELP ATMOSPHERE OF TALKS. NIOC WAS REPRESENTED BY A MR. FARID AND MR. SHIRAZ AND SHARJAH BY JUDGE YUSRI DWAIK AND ISMAIL ABD AL WAHID, WHO IS SHARJAH PETROLEUM DEPT. TECHNICAL MANAGER.

2. JAAFAR REPORTED THAT SHARJAH AND NIOC KEPT ASKING WHAT WAS CRESCENT'S FINAL POSITION. CRESCENT PARTNERS KEPT REPLYING THAT THEIR POSITION WAS NO INCREASE IN TERMS AND THEY HAD SHOWN THEIR CASE IN ECONOMIC TERMS ON WHY THERE WHOULD NOT BE AN INCREASE. IF SHARJAH AND NIOC COULD SHOW THAT THE ECONOMIC ANALYSIS WAS FLAWED, CONFIDENTIAL

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THEN THEY SHOULD POINT IT OUT. SHARJAH AND NIOC REPLY WAS THAT THE COMPAINIES SHOULD PROVE THAT THERE SHOULD BE NO INCREASE IN TERMS. DISCUSSION TURNED TO TAX AND ROYALTY APPLIED TO OTHER SMALL OFFSHORE FIELDS IN ABU DHABI WHICH ARE LOWER THAN STANDARD OPEC TERMS. HERE, BOTH SHARJAH AND NIOC CLEARLY HAD NOT DONE THEIR HOMEWORK. CRESCENT ABLE POINT OUT THAT IN CASE OF BUNDUQ, WHICH CO-SHARED BETWEEN QATAR AND ABU DHABI, QATAR'S INSISTENCE ON APPLYING HIGHER 75/20 TAX

AND ROYALTY TO BUNDUQ HAD CAUSED FIELD OPERATIONS TO CLOSE DOWN (ABU DHABI IS CURRENTLY EXPLORING WITH QATAR A NEW FORMULA WHEREBY NEW INVESTMENT NEEDED TO EXPLOIT BUNDUQ CAN BE WRITTEN OFF IN THREE YEARS). IN CASE OF MUBARRAZ, 55/12.5 TAX AND ROYALTY IS SAME AS CRESCENT FIELD. FOR ABU BUKUSH, COMPANY ABLE SHOW THAT DESPITE RECENT INCREASE TO 75/20 TAX AND ROYALTY, PROFIT TO INVESTMENT RATIO WAS ROUGHLY THREE TIMES BETTER THAN CASE OF CRESCENT (BECAUSE ABU BUKUSH IS LARGER FIELD).

3. AFTER FURTHER PROBES BY NIOC AND SHARJAH WHETHER THERE WAS ANY "FINAL OFFER" BY CRESCENT ANSWERED BY PARTNERS REITERATING THERE WAS NONE NOR COULD THERE BE SINCE MATTER NOW GONE TO ARBITRATION, IT WAS LEFT THAT CRESCENT PARTNERS SHOULD COME BACK FOR ONE MORE MEETING. MEETING, TENTATIVELY SCHEDULED BE HELD SEPTEMBER 16, WILL PROBABLY BE IN TEHRAN ALTHOUGH RULER SHARJAH AND CRESCENT PREFER LOCUS BE SHARJAH. AT THIS MEETING CRESCENT WILL PRESENT ECONOMIC JUSTIFICATION FOR ITS POSITION ON BASIS OF ECONOMIC COMPARISON WITH SMALLER FIELD IN AREA. SHARJAH AND NIOC WILL APPARENTLY DO SAME STUDY

INDEPENDENTLY. JAAFAR HAS ALREADY MET WITH ABU DHABI UNDER SECRETARY OF PETROLEUM ABDALLAH ISMAIL WHO HAS PROMISED PROVIDE CRESCENT WITH TECHNICAL INFORMATION NEEDED, AND CRESCENT HOPES THAT SHARJAH AND NIOC WILL USE SAME PARAMETERS. OTHERWISE, IT COULD END UP IN ANOTHER TECHNICAL SQUABBLE.

4. JAAFAR SAID THAT IN MEANTIME, ICJ PRESIDENT ARECHAGA HAD SENT LETTER
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DATED JULY 7 (NOT JULY 10 REPORTED PARA 2 OF REF A) IN WHICH HE SAID HE

WILL BE OBLIGED TO APPOINT AN ARBITRATOR FOR SHARJAH IF RULER DECLINES TO DO SO. JAAFAR SAID RULER OF SHARJAH HAS NOT MENTIONED RECEIPT OF LETTER BUT HE IS CERTAIN THAT RULER IS AWARE OF IT.

5. JAAFAR FELT ONLY FAVORABLE BOTE OF MOMENT IS THAT RULER OF SHARJAH HAS DROPPED ALL MENTION OF NATIONALIZATION.
DICKMAN.

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NNN

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